

MINUTES

MONTANA SENATE 59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON ENERGY AND TELECOMMUNICATIONS

Call to Order: By **CHAIRMAN KEN TOOLE**, on January 25, 2005 at 3:00 P.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Sen. Ken Toole, Chairman (D)
Sen. Brent R. Cromley (D)
Sen. Aubyn Curtiss (R)
Sen. Jeff Essmann (R)
Sen. Dan Harrington (D)
Sen. Dave Lewis (R)
Sen. Greg Lind (D)
Sen. Gary L. Perry (R)
Sen. Glenn Roush (D)
Sen. Carol Williams (D)

Members Excused: Sen. Dan McGee (R)

Members Absent: None.

Staff Present: Casey Barrs, Legislative Branch
Claudia Johnson, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 256, 1/20/2005
Executive Action: None.

HEARING ON SB 256**Opening Statement by Sponsor:**

SEN. KEN TOOLE (D), SD 41, opened the hearing on **SB 256**, Uniform net metering standards.

SEN. TOOLE informed the Committee that SB 256 allows a customer to generate electricity, which runs the meter backwards. He explained the concept of net metering and how net metering is treated in Montana. The customer can generate energy on their side of the meter, and run their meter backwards, which allows them to have their power use netted against what they generate. He said there are changes in the bill that will ensure consistent treatment under the law, it changes the size of what can be considered for net metering. It also tries to set the same requirements for cooperatives, such as; Montana Dakota Utilities (MDU), and Northwest Energy Company. This means, the customer can be credited for the power they created either through solar, wind, or power plant distribution. In other words, "if you make energy, you can sell it back to the power company". He said we are in a time of technological change in the energy arena. He said for years, our energy systems have been large central station power plants connected by transmissions and distribution system that takes power from the large plants into the consumers homes, businesses, etc. In the last ten years, wind power has become a viable resource both at the scale of large central stations plants and utility scales, and also on smaller systems. Solar technology is advancing rapidly, and the cost for this is coming down dramatically in the last five to six years. He said that newer technology is coming in the form of micro generators that can be placed in the basements of skyscrapers that will be producing their own energy. There is emerging hydrogen economy that is already taking place, such as; hybrid cars, etc. There are many opportunities in the way that the nation is doing business in the energy realm in encouraging the new technologies. He said that Montana should be looking at these new technologies, and the different ways in managing system. As a part of this, the legislature needs to be encouraging the small decentralized generation in the utilities system, and stabilizing the transmission system. There has been a lot of criticism on wind power because it is intermittent, but if wind power is scattered across the system over a broader area, there is more reliability from intermittent resources of wind and solar systems. With these smaller systems, people have more of an opportunity to manage their own energy use in energy production. The environmental impact in these smaller systems can be more easily managed. There are many reasons that the legislature can be looking at to encourage the use of net

metering, and the use of power generation systems throughout Montana. He stated, this is what SB 256 does. He said a law that went into effect in 1999 created approximately 200 systems on the Northwest Energy system. On the co-op system, there are approximately 10 systems, and zero on MDU. There needs to be consistency with the rules, and the way this is being treated within the different services and jurisdiction.

{Tape: 1; Side: A; Approx. Time Counter: 5.9 - 8.7}

CHAIRMAN TOOLE addressed several problems that will be discussed by the opponents. He said this bill will not put a limit on the size restriction, because a net metering system will always be capped by the load of the customer. He discussed safety, and the concerns for the people who work on the lines. He also discussed the cross-subsidy. The balance will be paid by the customer.

Proponents' Testimony:

David Ryan, Engineer for the National Center for Appropriate Technology, Butte, distributed written testimony. He discussed the safety issues. He said talked about the 200-plus net meter systems, and most of them are less than two kW. He said there are very few that are larger than 10 kW. He informed the Committee there is 8,000 to 9,000 new net meters that have been installed in California. At this time, he hasn't heard of any safety problems. The generator shouldn't be larger than the facility they are connected to. He said they do feel that the larger generators should be installed upon utility approval. He urged the Committee to pass this bill. He suggested several ideas that they would like to see in the state. 1) Annual banking of all utilities in the state, with the customer being able to select a quarterly true update. Some utilities that offer net metering will zero out the generation at the end of the month. 2) The cost of net metering included in the metering in subsidies for electricity for hard to deliver to customers. He urged a do pass motion.

EXHIBIT(ens19a01)

{Tape: 1; Side: A; Approx. Time Counter: 17.3 - 25}

Chuck Magraw, representing Natural Resources Council and Northwest Project, stated their support for SB 256. He said this bill is good public policy. The opponents will argue safety and subsidies. He said that all utilities are a good thing. The co-ops will inform the Committee today that they all have net metering.

Pat Judge, Montana Environmental Information Center (MEIC), distributed several handouts. He informed the Committee that MEIC has been a proponent of net metering in Montana since its conception. It is an important incentive to stimulate the development of de-centralized and clean renewable energy projects across Montana.

{Tape: 1; Side: B}

The handout distributed by **Mr. Judge** show the net metering programs in place statewide and nationwide (see Exhibit 2).

[EXHIBIT\(ens19a02\)](#)

Opponents' Testimony:

John Fitzpatrick, representing NorthWestern Energy Company, distributed two handouts. Exhibit 2 outlines the problems and issues they have in removing the 50 kW cap and adding bio fuels as a fuel source. Exhibit 3 is a graph that shows net metering today, and how the customer is still charged for the transmission/distribution (T/D) system. He informed the Committee when people are making their own energy, it dumps on those that cannot make their own.

[EXHIBIT\(ens19a03\)](#)

[EXHIBIT\(ens19a04\)](#)

Gary Wiens, representing Montana Electric Cooperatives Association, presented written testimony, which he read.

[EXHIBIT\(ens19a05\)](#)

Jason Bronec, manager of Glacier Electric Cooperative headquartered in Cut Bank, distributed written testimony, which he read. He also distributed written testimony from **Doug Nelson, Mad Wolf Ranch L.L.C., Browning** (see Exhibit 7).

[EXHIBIT\(ens19a06\)](#)

[EXHIBIT\(ens19a07\)](#)

Doug Hardy, representing the Montana Electric Cooperatives Association, distributed written testimony in opposition to SB 256.

[EXHIBIT\(ens19a08\)](#)

{Tape: 2; Side: A}

John Alke, representing Montana Dakota Utilities (MDU), informed the Committee that what **SEN. TOOLE** is attempting to do in amending this bill, is amending the Electric Restructuring Act. The net metering provision that is a part of Montana's 1997 act. MDU was exempted from that act in 1997. He stated that he wasn't going to have MDU follow in Montana Power Company in electrical restructuring. MDU has a net metering tariff for the last 20 years. He distributed a handout showing examples of MDU using 50 kW. He reiterated the comments made in earlier testimony by **John Fitzpatrick**.

EXHIBIT(ens19a09)

C. Wayne Fox, Vice President, Regulatory Affairs & General Services, MDU, distributed written information.

EXHIBIT(ens19a10)

Tim Gregori, General Manager of Southern Montana Electric Generation and Transmission Cooperative, distributed written testimony.

EXHIBIT(ens19a11)

Dan Flynn, representing the International Brotherhood of Electrical Workers, Local 44, distributed written testimony.

EXHIBIT(ens19a12)

Dave Kelsy, representing Yellowstone Valley Electrical Cooperatives, stated this isn't legislation that they can support.

{Tape: 2; Side: A; Approx. Time Counter: 16 - 19}

Tom Schneider, representing the Public Service Commission (PSC), said they share the concern of lifting the cap on suppliers. He distributed a handout that show the rates, and states the PSC is currently investigating economic and policy issues related to the long-term production and sale of power between the small, independent power producers and NorthWestern Energy.

EXHIBIT(ens19a13)

Terry Holter, General Manager of Yellowstone Valley Eectic Coop, said there is a more environmentally friendly way to do this. He commented, "who is going to pay for this". He urged a do not pass for SB 256.

Informational Testimony: None.

Questions from Committee Members and Responses:

SEN. LIND asked **John Fitzpatrick** to give a estimate of their net metering customers. **Mr. Fitzpatrick** informed him that the 225 customers on net metering generate a small amount of energy.

SEN. LIND asked **Tom Schneider** about energy related to homeland security. **Mr. Schneider** replied that he hasn't focused on this issue, and felt it is very small.

SEN. CURTISS commented that this policy seems to be a unfunded mandate that will be passed on to the customers.

{Tape: 2; Side: B}

SEN. PERRY asked **CHAIRMAN TOOLE** to define bio fuels. **CHAIRMAN TOOLE** gave an example of a mill operation that could have a small generator for use and sell back to the system.

SEN. PERRY asked **CHAIRMAN TOOLE** to define safety issues that have been discussed. **CHAIRMAN TOOLE** said the linemen and anyone working on they system have established standards that currently exist, and should be applied to everyone.

SEN. ROUSH asked **Mr. Wayne Fox** how many co-ops have net metering in the state. **Mr. Fox** said there are nine co-ops, and two in the process of coming on-line.

Closing by Sponsor:

CHAIRMAN TOOLE closed. He commented that there will be amendments from the testimony, and said he is willing to look at anything. The program has been around for a long time, and there has been much success. He said that people need to be encouraged to use net metering.

ADJOURNMENT

Adjournment: 5:00 P.M.

SEN. KEN TOOLE, Chairman

CLAUDIA JOHNSON, Secretary

KT/cj

Additional Exhibits:

EXHIBIT ([ens19aad0.PDF](#))